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Press Release

SOURCE: Penn Treaty American Corporation

Penn Treaty American Corporation Voluntarily Suspends New LTC Sales Pending Plan Consideration

ALLENTOWN, Pa., Sept. 12 /PRNewswire/ - Penn Treaty American Corporation today announced that, due to continued consideration of its Corrective Action Plan ("the Plan") by the Pennsylvania Insurance Department, it has voluntarily suspended the sale of new long-term nursing facility and home health care insurance products in all states except New York. The Company's insurance subsidiaries will not accept new applications until December 15, 2001 unless they receive earlier regulatory approval. This action does not impact policies pending through September 10, 2001 or policy renewals.

The Company, which has supplemented its statutory capital in recent months, anticipated that consideration of the Plan for its subsidiary, Penn Treaty Network America Insurance Company, would be completed by September 1, 2001. However, because the Plan remains under consideration, the Company determined to temporarily suspend new sales of its profitable product line, which would normally yield early losses and reductions to capital under statutory accounting practices.

Irving Levit, PTA Chairman, President and C.E.O., stated, "While we recognize that this action is particularly difficult for applicants seeking coverage and for our loyal distribution force, we feel it is only prudent to cease new business sales until regulatory approvals of the Plan have been received. During this period, we will continue to provide the highest quality service to our existing policyholders, claimants and agency force. We hope to recommence new sales as soon as possible."

The Company believes that completion of the Plan is necessary to generate additional non-dilutive forms of statutory capital for its subsidiary operations, including reinsurance alternatives that have been evaluated during the past six months. PTA continues to evaluate other capital generation measures, which it also believes are closely dependent upon the Plan.

The Company's decision to cease new sales does not supersede agreements with or orders in certain states in which its subsidiaries are not currently writing business. However, PTA believes that, if the Plan is approved some of its existing agreements could be satisfied and withdrawn. The Company's latest action does not include its disability and Medicare supplement product lines, which are intended for sale to other companies.

Certain statements made by the Company, in this press release, may be considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its expectations are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results of the Company's operations will not differ materially from its expectations. Factors which could cause actual results to differ from expectations include, among others, whether the Plan will be considered and approved by the Pennsylvania Insurance Department as well as other insurance regulators, the timing of such consideration and approval, actions which could be taken by state regulators including rehabilitation, the adverse financial impact of suspending new business sales, the Company's ability to raise adequate capital to meet the requirements of current business, anticipated growth and liquidity needs, the possible sale of certain product lines and its New York subsidiary, the adequacy of the Company's loss reserves, the Company's ability to sell insurance products in certain states, to reestablish new sales in all states and to succeed in obtaining necessary rate increases, the Company's ability to comply with government regulations and the requirements which may be imposed by state regulators as a result of the Company's capital and surplus levels, the ability of senior citizens to purchase the Company's products in light of the increasing costs of health care, the modality of premium revenue, the ability of the Company to defend itself from adverse litigation, and the Company's ability to expand and retain its network of productive independent agents, especially in light of the voluntary suspension of new business. For additional information, please refer to the Company's reports filed with the Securities and Exchange Commission.

SOURCE: Penn Treaty American Corporation